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Report on Increasing the Sale of Connecticut Grown Produce in Connecticut Grocery Stores

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Fruits and vegetables are consumed by everyone, and are grown throughout our state. The marketplace is exhibiting an unprecedented predisposition to local foods. Nutritionists are encouraging increased consumption of fruits and vegetables in our daily diets for optimum health, especially focusing on childhood nutrition benefits. Through a Specialty Crop Block Grant from the United States Department of Agriculture, coordinated by the Connecticut Department of Agriculture, Connecticut Farm Bureau Association (CFBA) initiated a project to increase in-state consumption of Connecticut-grown fruits and vegetables by optimizing understanding of marketing opportunities for larger-scale growers.

This project is intended to support larger-scale produce farmers in developing in-state markets for their fruits and vegetable crops primarily through intermediated and mainstream food supply chains, in addition to direct marketing methods. CFBA's goal is to enhance the competitiveness of Connecticut fruit and vegetable producers by identifying barriers to in-state distribution, facilitating interaction with institutional and retail buyers, and exploring business opportunities that can impact full-time, volume producers. Increasing Connecticut's consumption of local fruits and vegetables--and awareness of where they are coming from-- will ripple throughout the economy, and make a meaningful impact on farm viability for generations to come.

Summary of Recommendations and Findings

The Connecticut Farm Bureau interviewed seven grocery store produce managers/produce directors, three grocery store distributors and two industry professionals to seek their opinions on the purchase and sale of Connecticut grown produce in grocery stores.

The Voice of Connecticut Agriculture

Given the depth of consumer interest in locally grown produce, Connecticut grocers are interested in purchasing increasing quantities of local produce at market rates. Based on our interviews, we believe that there is significant room for growth in sales of Connecticut grown produce to state grocery stores of all sizes and types.

The biggest barriers many farmers will face in developing relationships with grocery stores is striking up the relationship with produce managers and to learn about each store's unique needs and wants. In addition, many farms may not have the capacity or interest in meeting Food Safety Modernization Act (FSMA) and Good Agricultural Practices (GAP) certification requirements, (or other third party food safety certification) which are required by larger grocers and will likely be required in the future by mid-sized grocers. Most grocery stores also expect additional services beyond harvesting such as cleaning, grading, special packaging, labeling and delivery services be included as part of the business arrangement and likely will not pay a higher price for these additional services. Farmers may not be accustomed, nor staffed, to provide these additional services.

The biggest barrier produce managers face is finding farmers who can grow produce and market at a profit selling to grocery stores. Wholesale farmers in Connecticut face an uphill challenge because of the small profit margin on wholesale and the small scale of existing farms. Because produce managers base their purchase price on market rates, the farms best financially suited to meet their price point are large scale farms who can make use of economies of scale. Identifying a profitable economic model of farming and distributing Connecticut fruits and vegetables would greatly enhance the availability of products in Connecticut grocery stores. The grocery stores we interviewed were not interested in paying more for locally grown.

There is still opportunity for smaller growers to cultivate a relationship with a single store in their region. Devotion to hyper-local producers is still appreciated by some local grocers.

I. Current State of Locally Grown Produce in Connecticut Grocery Stores

Themes and Trends

- All of the grocery stores interviewed see locally grown as a trend that will continue to grow.
- Produce managers see controlled growing environments such as greenhouses, hot houses, vertical farming, terraculture, hydroponics are big trends. Farmers may find the profitability of controlled growing environment challenging because of the additional expenses.

Definition of Local

Connecticut regulations specify that in order for a product to be identified and marketed as local, it must be grown in Connecticut or within 10 miles of the state borders. There are differing definitions of local by grocery stores, however.

- Large regional grocery chains source within the region where their stores are located. If produce is “local” to any of the stores within their chain they consider it locally grown, even if it travels to a store 500 miles away.
- What a distributor’s trucks can bring back within a day.
- Grown in Connecticut and any bordering state
- Within 200 miles
- 250-400 miles is considered “ regional”
- “Native” is a term that implies truly locally grown.

Current State

All of the grocery stores that we met with had relationships to varying degrees with Connecticut farmers. All the grocery stores we interviewed currently work with Connecticut farmers to develop plans for spring planting, harvesting schedules and delivery plans.

Almost all of the buyers visit the farms where they purchase their produce. Many take great pride in their relationships with farmers and bring other store employees, including management, to visit the farms and see them in action.

While produce buyers interviewed repeatedly mentioned their loyalty to their current farmers even when they received lower price bids or during crop loss or failures, many farmers have experienced just the opposite.

Importance of Developing a Relationship

All produce buyers emphasized the importance of the relationship between the buyer and the farmer. When produce managers begin a new relationship with a farm they consider many components when deciding if the farm is a good fit for their store. Most large chains require completing an “approved vendor” procedure which can take many months to complete. This process would ideally begin during the early winter months. Buyers are interested in learning about produce varieties, timing, delivery schedules, pricing, packaging, reliability, harvest schedules and availability. Consistent quality and size of produce is what grocers expect from their regular growers. Many will begin a relationship with a new farmer by purchasing a few products and then expanding based on mutual success. Early and frequent communication, by phone or e-mail, is encouraged and expected from the farmer to the buyer to manage crop progress and delivery assurances.

Pricing

Nearly all grocery stores pay market rate for the produce. Most expect to make their normal profit margin on the purchase of Connecticut-grown produce. Even higher end grocery stores did not offer a premium for locally grown produce.

Quality

Quality was a consistent criteria for all stores interviewed regardless of their market audience whether it be bargain shoppers or food connoisseurs. One distributor claimed that the New England consumer market expects higher quality produce than in other regions of the country. There is little tolerance for less than first quality produce at retail outlets. Better-than-average size or quality receives special attention from consumers. While most consumers and produce managers demand very high quality, grocery stores did not express an interest in paying more for high quality.

Each Grocer is Unique

When considering selling to a grocery store, farmers should recognize that each grocery store and produce buyer is unique. They will each have their own internal processes, guidelines and unique product needs based on their typical customer profile. Most grocers understand their customer base and are clear about what products and what pricing will work for their store.

II. Characteristics of Different Types of Grocery Stores

1. Large Multi-state Grocery Stores

While the opportunity for volume and growth is great with large multi-state chains, dealing with their internal processes can be a challenge. In addition, it can take up to three growing seasons to develop the customized type of produce and harvesting schedule they seek. Paperwork and corporate approvals can be considerable. Once approved and part of the grocer's system, however, farmers are uniquely positioned to provide products to the store. There is potential for relationships with even a single store within a multi-store chain, or to feed into multi-store distribution.

One of the benefits of developing a relationship with a large grocery store chain is the ability to move large volumes of product.

Most large multi-state grocery stores require GAP certification and insurance. As the Food and Drug Administration's FSMA regulations are formulated in more detail most large chain grocery stores will likely require compliance with them as well.

2. Mid-sized Multi-location Grocery Stores

Many of the produce buyers for mid-sized multi-location grocery stores took great pride in their relationships with Connecticut farmers. They work closely with farmers to develop planting plans for the spring and work collaboratively with their farmers to recommend new products. During the harvest season, produce managers for these stores speak frequently with produce farmers about crop progress. They expect open and honest communication at least once a week to assess produce availability, pricing and delivery schedules.

Most mid-sized stores do not currently require GAP certification and insurance, but we caution that this will change with the implementation of FSMA and other new farming regulations.

One challenge for farmers in working with multi-location mid-sized grocery stores is delivery of the product to the multiple locations. Some stores will accept deliver at a single location and will handle re-distribution on their own trucks, but many require drop-offs at each store site.

Some mid-sized stores have limited refrigerated storage and therefore require fresh product to be delivered every day or two.

Some mid-sized stores require that the produce be shelf-ready while others do quite a bit of packaging.

3. Small Stand-Alone Grocery Stores

Small stand-alone grocery stores, because of their lack of corporate requirements, seem best matched with smaller farms. Privately owned, single grocery stores typically are more nimble and responsive than mid- or large-sized grocery stores. They are best positioned to respond to the seasonal inconsistencies that can occur when purchasing Connecticut-grown produce. They tend to be more flexible in terms of timing the acceptance of deliveries. They are open to purchasing unsold merchandise that is left over after a day at the farmers' market. They are willing to purchase smaller lots than most grocery stores and with a small, decisive buying staff are easier with whom to initiate a relationship.

Connecticut Grown Merchandizing

Use of the Connecticut Grown logo and other merchandizing materials varied based on the needs of individual stores. While none of the large chain grocery stores, used the Connecticut-Grown materials, many of the mid-sized stores made frequent use of the point-of-sale. In fact, a number of produce managers had specific recommendations and requests for additional materials such as signage, stickers, display kiosks etc.

Current Problems Facing Produce Buyers

Most produce managers have access to numerous suppliers and distributors who provide the bulk of their store produce from outside the local growing area. When produce managers turn to local farmers during the summer and fall, they identified a problem of over-abundance of common commodities. In other words, too many of their farmers have corn coming in at the same time. They would appreciate a better variety of produce availability and a lengthened harvest period with more consistent availability. Anything farmers can do to collaborate with each other to help assure produce availability to grocers would be perceived as resourceful by buyers.

III. Opportunities for Farmers

Extending Seasons

All produce buyers expressed an interest in products that were available earlier in the season or later in the season. For instance, all buyers were interested in products like snap peas or greens that could be sold earlier than usual through greenhouse-growing or through buying from a farm south of their location but still within Connecticut where the product is coming in a few weeks earlier. Likewise they were interested in extending the fall season with late- grown winter squash and fall greens.

Custom Production

Although contract growing does not seem to be a common practice with grocers, all the buyers seem to be interested in cultivating growers who can increase their supply and meet special needs. Many buyers seemed to take a personal pride in working cooperatively with farmers to anticipate supply needs in the coming season, and respect farmers seeking to improve their produce quantity and quality. While it is to the buyers advantage to have an increased supply, growers may face an over-production problem when a surplus becomes available and the product price decreases. Buyers report being left holding the bag when surplus of a certain crop is available and the price decreases dramatically. Buyers may turn to less expensive options when a surplus occurs.

Aggregation

Some farmers who currently sell to grocery stores informally aggregate their products. If they have a lower than expected yield, they will work with other farmers to make sure that they correct quantity is delivered to the store. Buyers seem to appreciate this transparent practice if they are assured consistent quality and supply.

This type of informal aggregation provides a valuable service to the buyer but there appears to be no additional compensation provided to the farmer for this service.

One national chain has a formal arrangement with a local distribution center for regular aggregation of crops from their identified farmers.

Based on our discussions with produce buyers, farmers could definitely benefit from increased formal and informal aggregation.

Other Non-produce Items – maple syrup, honey, plants, seafood

Almost all produce buyers indicated that their stores would be interested in increasing the availability of non-produce Connecticut grown/made items including bedding plants, hanging plants, honey, maple syrup and other items.

Marketing Opportunities

Connecticut Grown Sales and Merchandising Representative

Many produce buyers felt that a Connecticut Grown Sales and Merchandising Representative could help increase placement of Connecticut grown produce. Many produce trade associations have paid marketing and sales staff who regularly visit produce buyers at grocery stores to promote their products with merchandizing and an explanation of new produce lines. For instance the Cherry Growers of Washington State have a marketing person who provides printed materials, displays, signage, and recipes to grocery stores.

Connecticut might consider a marketing/merchandising staff who would visit grocery stores to promote Connecticut growers, providing lists of area farmers and their products and identify gaps in locally grown produce, and assist in in-store merchandising of local produce to optimize its visibility. While this might benefit grocers, it also might provide them with an easy means to shop around for the lowest priced product.

Sales to Brokers/Distributors

Many grocery stores use Connecticut-based distributors to supply produce. Many produce buyers mentioned that certain Connecticut distributors are reliable sources who carry Connecticut produce lines. Establishing a positive relationship with local distributors can simplify a farmer's marketing strategy. Could this method of distribution be enhanced so that distributors have more Connecticut produce to offer? Farmers recommended carefully developing relationships with brokers/distributors to ensure a relationships that is mutually beneficial.

Organically Grown

Most buyers acknowledged that consumer demand for local produce is growing faster than the demand for organic. Specialty markets, however, are still seeking new growers of organically grown produce. It seems that the large grocery chains are content to rely on their large organic suppliers from other regions. There is an opportunity for local organically grown fruit in this market. Produce must be certified organic for grocery stores to market it in that way. Organic certification is a lengthy and expensive process which can be financially prohibitive for many farmers.

Freshness as a Benefit

The shorter the distance from grower to grocery shelf the fresher fruits and vegetables should be. This is a key benefit of locally grown produce: properly handled fresh

produce has a longer shelf life, and therefore consumers have more time to prepare it and throw away less. This is a way to present the price/value story to consumers.

Connecticut Grown Website

A number of produce buyers noted that Pennsylvania and New Jersey provided produce buyers with websites that expedite their search for locally grown produce. Pennsylvania Preferred and Jersey Fresh offer searchable websites by county that provide wholesale grower farms with product type and availability. Connecticut might consider a website designed for produce buyers. The searchable site would allow wholesale buyers to identify the kind of produce, location of the farm, product availability and other pertinent information. Buyers could also use this consolidated listing to drive down prices by shopping around.

This website might be just one part of a “program” coordinated to promote Connecticut-grown fruits and vegetables. These buyers are barraged by trade advertising and marketing from these other regional marketing groups. Connecticut might consider ways to boost its business to business advertising, presence at produce buyer trade shows and conferences and create a program that promotes its produce.

IV. Recommendations for Farmers Considering Selling Produce to Grocery Stores

1. **Identify the Type of Grocery Store** --Think about the kind of grocery store with whom you might want to do business. Do you have enough volume for a large chain? Will you be able to deliver to multiple locations that are common with mid-sized chains? Do you need the flexibility of a smaller store?
2. **Arrange to Meet with the Produce Buyer** – Set up a meeting in the fall to review the needs of the produce buyer and store. Outline what makes your farm different than others with whom they’re doing business—what makes you unique? What kinds of locally grown produce do they already carry? What new produce might they consider selling? How often do they require delivery? What kind of quality, pricing, packing would they require?
3. **Complete Any Paperwork** – Work with the grocery store to make sure that you have the proper insurance, GAP certification and internal paperwork properly completed.
4. **Beginning the Relationship** – Try to identify a few produce items to begin the relationship. Use this year to work out the kinks with invoicing, payment, delivery, returns, grading.

5. **Enhancing the Relationship** – With one year’s experience, you should now be able to discuss new products for the following year, promotional ideas (sidewalk sales or fairs featuring your product).

V. Interviews/Meetings Conducted

Many thanks to the produce managers and business owners who took time out of their busy day to offer their advice on increasing sales of Connecticut grown produce. Each and every single manager was an enthusiastic booster of Connecticut grown produce.

- Kevin Barry, Director of Produce & Floral, Big Y Foods
- T. Jude Boucher, Agricultural Educator Commercial Vegetable Crops, College of Agriculture and Natural Resources, University of Connecticut
- Thomas Casey, Executive Vice President of Produce, Johnson O’Hare Company
- Fay Davis, Produce Manager, Geissler’s Markets
- Robert Duperre, Account Executive, Perishables, C&S Wholesale Grocers
- Brian Gibbons, Produce Manager and Store Manager, Highland Park Markets
- Derrick Jenkins, Vice President, Produce/Floral Divisions, Wakefern
- JD Kemp, CEO, OrFoodEx
- Bob LaBonne, Jr., Owner, LaBonne’s Markets
- Ronald McCormick, Senior Director, Sustainable Agriculture, Walmart US
- Drew McLachlin, Local Forager and Culinary Specialist, Whole Foods
- Terrence Murphy, Procurement Manager, Produce Division, Wakefern
- John Pittari, Owner, New Morning Natural Foods
- Kerry Synott, Produce Manager, New Morning Natural Foods
- Scott Varanko, Produce Manager, Stew Leonard’s
- David Yandow, Executive Vice President, FreshPoint
- Mark Zotti, Produce Manager, LaBonne’s Markets